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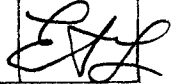
FROM: Steven M. Olea
Director
Utilities DivisionAZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 11 2014

DATE: February 11, 2014

DOCKETED BY RE: STAFF REPORT: IN THE MATTER OF THE AMENDED APPLICATION OF
MIDVALE TELEPHONE EXCHANGE FOR APPROVAL OF AN AMENDMENT
TO ITS EXTENSION OF THEIR CERTIFICATE OF CONVENIENCE AND
NECESSITY (DOCKET NO. T-02532A-08-0542)

Attached is the Staff Report for Midvale Telephone Exchange, Inc.'s Application to extend its Certificate of Convenience and Necessity to provide facilities-based local exchange telecommunications services. Staff recommends that the Application be approved, as amended.

SMO:LLM:tdp\MAS

Originator: Lori Morrison

ORIGINAL

Service List for: MIDVALE TELEPHONE EXCHANGE, INC.
Docket No. T-02532A-08-0542

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

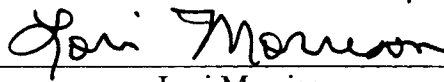
**MIDVALE TELEPHONE EXCHANGE, INC.
DOCKET NO. T-02532A-08-0542**

**IN THE MATTER OF THE AMENDED APPLICATION OF MIDVALE TELEPHONE
EXCHANGE FOR APPROVAL OF AN AMENDMENT TO ITS EXTENSION OF
THEIR CERTIFICATE OF CONVENIENCE AND NECESSITY**

FEBRUARY 11, 2014

STAFF ACKNOWLEDGMENT

The Staff Report for the Amended Application of Midvale Telephone Exchange, Inc. (Docket No. T-02532A-08-0542) to extend its Certificate of Convenience and Necessity ("CC&N") in Yavapai County to include areas that are immediately contiguous to the Long Meadows portion of its Mill Site Exchange was the responsibility of the Staff member listed below.

A handwritten signature in cursive script, reading "Lori Morrison", is positioned above a horizontal line.

Lori Morrison
Utilities Consultant

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I. Introduction and Procedural History

On October 17, 2008, Midvale Telephone Exchange, Inc. ("Midvale") filed an Application ("Application") to amend its Certificate of Convenience and Necessity ("CC&N") service area to include customer locations within Qwest Communications Corporation's ("QCC's") service area. In the application, Midvale states it seeks authorization from the Arizona Corporation Commission ("ACC") to provide facilities-based local exchange service and toll service to two unserved customers located in Yavapai County immediately contiguous to the Long Meadow portion of Midvale's Mill Site Exchange ("extension area").

On November 6, 2008, Staff sent its First Set of Data Requests to QCC. On November 17, 2008, Qwest Corporation sent its response to Staff.

On November 12, 2008, Qwest Corporation ("Qwest") filed a notice indicating that it had accepted service of process of Midvale's application, as it is Qwest rather than QCC that provides local exchange telecommunications services in the extension area. Qwest requested that the service list for this matter be revised to include Qwest and remove QCC.

On November 14, 2008, Staff issued a Letter of Insufficiency and its First Data Request to Midvale.

On May 7, 2010, a Procedural Order was issued requiring Staff to file an update on the status of the matter, including any appropriate recommendations as to how the matter should be resolved and a statement regarding whether the matter should be administratively closed.

On May 12, 2010, Midvale filed its first amended application. In the amendment, Midvale provided a revised legal description of the requested extension area to be transferred from Qwest to Midvale and provided an update to the Loop/Line counts. On May 24, 2010, Midvale filed the attachments to the amendment.

On May 26, 2010, Staff filed a Staff Update stating that Staff was reviewing Midvale's application and would process it.

On June 14, 2010, Midvale filed Responses to Staff's First Set of Data Requests.

On June 29, 2010, Staff filed a Letter of Sufficiency stating that Midvale's amended application had met the sufficiency requirements of A.A.C. R14-2-502 and that the Commission had 150 calendar days to complete its substantive review.

On July 1, 2010, a Procedural Order was issued requiring Qwest to file, by July 30, 2010, a document either requesting to be added to this docket as a joint applicant or explaining why it was not necessary for Qwest to participate as a party. The Procedural Order further permitted Midvale and Staff to make filings providing input on the need for Qwest to participate as a party and extended the Commission's time frame to issue a decision in this matter by 30 days.

On July 30, 2010, Qwest filed Qwest Corporation's Motion to Be Added as a Necessary Party, and Statement of Position, in which Qwest requested to be added as a necessary party in interest to this proceeding and not to be designated as a joint applicant. Qwest stated that Qwest supported Midvale's application and that Qwest was willing to participate and fully cooperate in the proceeding, but that Qwest was not the moving entity and did not believe that it should be required to bear the costs of the proceeding. Qwest also noted that Qwest and Midvale had agreed that the circumstances underlying Midvale's application also existed or could arise with other portions of Qwest's Prescott Exchange bordering Midvale's existing service area. Qwest stated that Midvale and Qwest had agreed that it would be more efficient to address these circumstances comprehensively in this proceeding by including additional portions of Qwest's Exchange that could be served more economically by Midvale. Qwest also stated that it understood Midvale was preparing to amend its application again.

On August 11, 2010, a Procedural Order was issued joining Qwest as a necessary party in interest in this matter and suspending the time frame in this matter until Midvale filed with Docket Control either another amendment to its application or a document stating that it was ready to go forward with its application as it stood.

On November 15, 2010, Midvale filed a Second Amended Application., revising the requested extension area by requesting expansion of its CC&N service area to include all of Section 13, Township 16N, Range 4W (rather than only the southeast quarter of the Section); the southern one-half and northwest one-quarter of Section 23, Township 16N, Range 4W (rather than only part of the southeast one-quarter of Section 23); and the following additional territory :

Within Township 16N, Range 4W: The western one-half of Section 22, the southern one-half and northwest quarter of Section 15, the northern one-half and southwest quarter of Section 14, all of Section 1, all of Section 2, all of Section 11, and all of Section 12; and

Within Township 16N, Range 3W: The western one-half of Section 20, and all of Section 17 except for the Hootenanny Holler Development and that portion of Section 17 north of Williamson Valley Road.

On November 16, 2010, a Procedural Order was issued requiring Qwest to file a response to Midvale's Second Amended Application; requiring Staff to file a document regarding the sufficiency of Midvale's Second Amended Application; and suspending the time frame in this matter.

On December 7, 2010, Staff filed Staff's Second Letter of Insufficiency and Second Set of Data Requests.

On December 15, 2010, Midvale filed an amended Attachment C to its Second Amended Application, which included a legal description.

On January 4, 2011, Qwest filed its response to the Second Amended Application, stating that the legal description in the amended Attachment C to the Second Amended Application was correct; that Qwest was the local exchange service provider of record in the affected areas; and that Qwest consented to the transfer of the requested extension area to Midvale, for the reasons stated in Qwest's Motion filed on July 30, 2010.

On December 16, 2011, a Procedural Order was issued requiring Midvale and Qwest to make filings providing their current positions in the matter and proposals for how the matter should proceed and requiring Staff to make a filing in response and including a recommendation as to how this matter should proceed.

On January 6, 2012, in Docket No. T-02532A-10-0207 et al., Decision No. 72728 was issued approving a Midvale request to transfer its assets, liabilities, and customers to Midvale Telephone Company, Inc. ("MTCI") and transferring to MTCI both Midvale's CC&N for facilities-based local exchange telecommunications services and Midvale's Eligible Telecommunications Carrier ("ETC") designation.

On January 17, 2012, Qwest dba CenturyLink-QC ("CenturyLink" or "Qwest") filed its response to the December 2011 Procedural Order, stating that its position in this matter had not changed and that it continued to support the proposed transfer of territory as set forth in the Second Amended Application, as amended by Midvale's Attachment C included in the filing of December 15, 2011 [sic].¹ CenturyLink added that it believed this matter should proceed in typical fashion, with a Staff Report, followed by a brief hearing after notice to affected customers.

On January 30, 2012, MTCI fka Midvale filed its response to the December 2011 Procedural Order, stating that MTCI desired to seek transfer of the territory in the Second Amended Application, as amended by Midvale's Attachment C included in the filing of December 15, 2011 [sic].² MTCI stated that it believed the matter should move forward with a Staff Report, notice to Midvale's customers, and a short hearing. MTCI also stated that it would not object to having the matter proceed to Open Meeting without a hearing.

On February 17, 2012, Staff filed its response to the December 2011 Procedural Order, stating that Staff agreed that the matter should proceed, but had not yet received Midvale's response to Staff's Second Letter of Insufficiency and Second Data Request. Staff recommended that, in order to move forward, Midvale file its response to the Second Data Request and all future Data Requests in an expeditious manner, to allow Staff to make a sufficiency finding and complete its analysis. Staff stated that it agreed with the process described by CenturyLink in its January 2012 filing.

On June 11, 2012, MTCI sent Responses to Staff's Second Set of Data Requests to Staff.

¹ This is understood to mean December 15, 2010.

² This is understood to mean December 15, 2010.

On April 9, 2013, a Procedural Order was issued requiring MTCI and CenturyLink to provide their respective current positions in this matter and for each company to provide a proposal for how this matter should be resolved, specifically addressing whether this docket should be administratively closed. In addition, Staff was required to file a document responding to the MTCI and CenturyLink filings and recommend how this matter should be resolved, specifically addressing whether this docket should be administratively closed.

On May 10, 2013, CenturyLink filed its response to the April 9, 2013 Procedural Order, stating that its position in this matter had not changed and it continues to support the proposed transfer of territory as set forth by MTCI in Section V of the Second Amended Application, as amended by the amended Attachment C filed on December 15, 2010. CenturyLink did not favor administrative closure, and reiterated its position that this proceeding should move forward.

On May 13, 2013, MTCI filed its response to the April 9, 2013 Procedural Order, stating that it does not believe the docket should be administratively closed. MTCI stated while both CenturyLink and MTCI have undergone organizational changes since filing of the application, the factors outlined in the application and responses to the application supporting transfer have not changed. MTCI explains that it and Commission Staff have agreed on language describing the area proposed for transfer and that it believes the filing of language acceptable to Staff is the only remaining barrier to Staff making its sufficiency finding. Once the application is found to be sufficient, a Staff Report is filed, and notice is given to affected customers, MTCI requests that the matter proceed to Open Meeting without a hearing.

On May 21, 2013, Staff filed its response to the April 9, 2013 Procedural Order, stating that Staff agreed that the matter should proceed. Staff stated it had been working with MTCI and CenturyLink to reach an agreement on the correct legal description of the area to be transferred and upon agreement of all parties, Staff further stated that it would file a corrected legal description in the docket, once it obtained agreement from both parties. Afterwards, Staff would make a sufficiency finding, complete its analysis and file a Staff Report.

On November 18, 2013, Staff filed the Third Amended Legal Description of the proposed area to be transferred from CenturyLink to MTCI. Staff also included a map of the area. Staff stated it provided a copy of the corrected Legal Description to both MTCI and CenturyLink and both agree that the Legal Description of the transfer area is accurate. CenturyLink also confirmed that it has no customers in the transfer area.

II. Background

MTCI was granted a CC&N by the Commission in Decision No. 58048, dated October 29, 1992, to provide local exchange carrier services for its Cascabel Exchange. In Decision No. 58764, dated September 1, 1994, the Commission approved the sale and transfer of CenturyLink's Young Exchange from Qwest to Midvale. Subsequent decisions have further extended MTCI's CC&N service area to its current five exchanges; Cascabel, Young, Silver

Bell, Granite Mountain and Millsite. MTCI indicated to Staff that it was providing services to approximately 1,142 rural residential customers and 98 rural business customers as of December 2, 2013.

III. The Application

A. The Extended Territory

MTCI's Application requests Commission authorization to provide facilities-based, basic local exchange service and toll service to currently unserved customers in CenturyLink's service area in Yavapai County, Arizona. These areas are immediately contiguous to the Long Meadows portion of Midvale's Mill Site Exchange (the "Extended Territory"). The third amended legal description³ of the Extended Territory and a map of the Extended Territory are included in the Staff Notice of Filing Corrected Legal Description filed in this Docket on November 18, 2013.

B. CenturyLink

In its July 30, 2010 response to the ALJ's July 1, 2010 Procedural Order, CenturyLink agreed that it is proper for CenturyLink to be added as a party to this docket because it has a material interest in the outcome, and will be directly impacted by the application but CenturyLink does not seek to be designated as a Joint Applicant. CenturyLink states it does not oppose MTCI's application.

CenturyLink further stated that it supported MTCI's amended application and was willing to participate and fully cooperate in the proceeding. CenturyLink noted that it and MTCI had agreed that the Extended Territory portions of CenturyLink's Prescott Exchange bordering MTCI's existing service area could be served more economically by MTCI. CenturyLink reiterates its support for MTCI's application in subsequent filings.⁴

C. Facilities

In its Second Amended Application, MTCI states that the Extended Territory is currently within CenturyLink's boundaries and is an area which CenturyLink is willing to serve but at a cost that is viewed as prohibitive by prospective customers within the transfer area. MTCI states it is in a position to serve the customers at an affordable cost and CenturyLink is willing to transfer the territory to MTCI.

³ Staff Notice of Filing Corrected Legal Description filed in this Docket on November 18, 2013.

⁴ Qwest Corporation's Response to Second Amended Application of Midvale Telephone Exchange, Inc. filed January 4, 2011;; Response of Qwest Corporation dba CenturyLink QC ("CenturyLink") to the December 16, 2011 Procedural Order, filed January 17, 2012; and Qwest Corporation's Response to the April 9, 2013 Procedural Order, filed May 10, 2013.

Similarly, CenturyLink states⁵ that the facilities construction costs CenturyLink would charge to potential customers are higher than the charges MTCI would assess for comparable service. Further, while CenturyLink's recurring monthly rate for basic residence service to these customers is less than MTCI's (\$14.68 vs \$24.00), under the terms of CenturyLink's tariff, these customers would be responsible for any applicable line extension costs.⁶ Additionally, while customers are located within CenturyLink's service area, CenturyLink does not have nearby facilities, but MTCI does.⁷ CenturyLink clarifies⁸ that it is willing to serve the subject area, but does not oppose MTCI's proposal because CenturyLink does not have any customers or local distribution facilities there at this time, and CenturyLink believes that under these particular circumstances it would be reasonable and in the public interest for the Commission to approve MTCI's application.

D. Construction and Financing

MTCI states⁹ that all construction would feature Fiber to the Home ("FTTH") technology which will allow MTCI to offer a full complement of modern telecommunications services, including high speed internet access service, to customers in the Extended Territory. MTCI has main line cable running past all existing homes in the area and when service is requested, the only construction necessary will be a drop from the main line to the home.¹⁰ Build out construction will be completed and service available within 60 days of any request for service.¹¹

MTCI will use general funds to finance any construction and will not borrow any money to finance the construction.¹² Due to the low number of potential customers in the area and because of existing main line cable, MTCI estimates the cost of construction to each customer will be low. In addition MTCI is an Eligible Telecommunications Carrier and receives Federal Universal Service Funds ("FUSF") in the Mill Site Exchange. As such, MTCI estimates there will be almost no impact on Midvale's FUSF receipts in year one and slight increase will be realized in years two and three.¹³ These forecasts are dependent on the number of service requests received and the dollar amount invested by MTCI.

⁵ Qwest Corporation's Motion to be Added as a Necessary Party, and Statement of Position, July 30, 2010.

⁶ CenturyLink response to STF 1.7.

⁷ CenturyLink response to STF 1.2.

⁸ Qwest Corporation's Motion to be Added as a Necessary Party, and Statement of Position, July 30, 2010.

⁹ Second Amended Application of Midvale Telephone Exchange, Inc.

¹⁰ MTCI response to STF 2.9.

¹¹ MTCI response to STF 2.14.

¹² Second Amended Application of Midvale Telephone Exchange, Inc.

¹³ MTCI response to STF 2.10.

E. Customers

According to MTCI, the Extended Territory currently contains eight (8) residences of which two (2) residences are currently customers of and are receiving local exchange services from MTCI. The two (2) customers are located at 14010 N. Tonto Road and 15411 N. Las Vegas Road and were installed on May 15, 2008 and January 23, 2012, respectively. Service was provided to the 14010 N. Tonto Road address prior to the filing of this application through an agreement between MTCI and CenturyLink in anticipation of the filing of this application.

F. Services, Rates and Charges

The Extended Territory will become a part of the Long Meadows portion of Midvale's Mill Site Exchange and as such, MTCI is proposing to apply the basic rates in the Mill Site Exchange to its customers. MTCI states that its tariffed rate for residential basic local exchange service in the Mill Site exchange is \$24.00¹⁴ and that its rate for basic business local exchange service is \$30.00.¹⁵ MTCI also offers a variety of vertical services such as caller identification, call forwarding, call waiting, 3-way calling, etc. MTCI's tariff provides for discounts of 15 to 25 percent for packages of these features. MTCI also states it has broadband available to its customers in the Mill Site exchange and will provide it on demand in the Extended Territory.

MTCI customers within its Mill Site Exchange also have the advantage of extended area service ("EAS") calling for the entirety of the Prescott local calling area. The Prescott local calling area¹⁶ is inclusive of CenturyLink's Chino Valley, Prescott, and Humboldt exchanges.

MTCI maintains an 800 number for all its customers for customer service related issues. This line is attended to by MTCI five days a week, eight hours a day. MTCI also provides its customers with 24/7 emergency and service outage reporting, with employees on standby to correct problems.

G. Complaints and Compliance

The Corporations Division reported on December 2, 2013, that MTCI is in good standing. According to the Utilities Division Consumer Services Section, as of December 2, 2013, all complaints regarding MTCI have been resolved and closed.¹⁷ The Utilities Division Compliance Section stated that MTCI is in compliance.

¹⁴ Midvale Telephone Company, Inc. Arizona Corporation Commission, Tariff No. 2, Page 25, Section III, Network Access Service, Subsection A – Access Line Service, (1) Rates.

¹⁵ *Ibid*

¹⁶ Per CenturyLink's Exchange and Network Services Price Cap Tariff, Section 5.1.1, Page 3, List of Exchange Areas and Local Calling Areas.

¹⁷ 2005 – 5 complaints; 2006 – 1 complaint; 2007 – 3 complaints; 2008 and 2009 – No complaints; 2010 – 1 complaint; 2011 – 3 complaints; 2012 – 1 complaint; and 2013 – No complaints.

III. Staff Recommendations

Staff recommends that the Commission find that approval of the Application to amend MTCI's CC&N is in the public interest. Staff also recommends that the Commission authorize Midvale to utilize its Millsite Exchange rates, charges, and other terms and conditions in the Extended Territory. Staff further recommends that transfer of the Extended Territory from CenturyLink to MTCI be approved subject to the following conditions that:

1. MTCI and CenturyLink be required to update its service area maps on file with the Commission within sixty (60) days of a Decision granting the Application, and
2. MTCI be authorized to include the Extension Territory as part of its Mill Site Exchange and that it apply its currently authorized tariffed rates and charges for the Millsite Exchange to the Extended Territory until further Order by the Commission.